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# SYNOPSIS

Document titled "Drafting of the North Korean National Economic Plan for Local Industrial Enterprises" is a report on the drafting of the North Korean National Economic Plan for Local Industrial Enterprises. The report is a summary of the plan and is intended for use by the North Korean government.

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Continued on next page

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## FOREWORD

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DRAFTING OF THE NORTH KOREAN NATIONAL ECONOMIC PLAN FOR LOCAL  
INDUSTRIAL ENTERPRISES

[Following is a translation of an article by the Light Industry Planning Bureau, State Planning Commission, that appeared in four different issues of the Korean-language newspaper Minju Choson, Pyongyang. Issue numbers, dates and page numbers are given below.]

PART I

No. 4492, 15 Nov 1959  
P 2

The Primary Task of the Local Industrial and Producers  
Cooperatives in Planning the People's Economy

Recently, Premier Kim Il Sung has clearly shown the ultimate direction in which the 1960 People's Economic Plan must be drawn up. Premier Kim Il Sung urged the correction of certain errors in our rapidly growing economy and called for extraordinary efforts to improve the people's standard of living.

The local industries are confronted with the following tasks: To improve food processing industry, production plans with a special emphasis on supplementary foods, and also daily necessities to utilize raw materials effectively; to improve the level of technical skills, the quality of goods, and the variety of goods; and to improve the managerial skills and methods of local industrial factories and productive cooperatives.

To fulfill these tasks, the workers of the local planning organs must do the following in drafting the people's economic plan for the local industries.

1. With active participation of the local populace and with the utmost utilization of facilities and resources, the mass production of various foods, daily necessities, and agricultural implements must be achieved to meet the demand of the local residents.

2. The new local industrial factories and productive cooperatives must be operated effectively and efficiently. By exploiting all possibilities and potentialities to the fullest extent, the locality must develop and strengthen its material and technical bases, thereby being able to supply the necessary machinery, cement, coal, steel, and iron. Thus, without requiring a substantial subsidy or investments by the state, the locality must do its part in implementing the decision adopted on May 4, 1959, at the Expanded Conference of the Executive Committee of the Party's Central Committee.

3. For its fuel need, the locality must create and expand the bases for various natural fuels such as wild fibers, hemp, yellow hemp, flax, fat, rush, and willow. The locality must endeavor to meet its own fuel and timber demand.

4. The locality must solve the problems stemming from its own needs. Priority must be given to supplementary foods in food production, and the production of such daily necessities as textiles, paper and pottery must be particularly stressed. The production of farm implements and goods must be greatly increased and their quality must be improved at the same time.

To assure the successful implementation of the above tasks, the workers of the local planning organs must accurately draw up the people's economic plan for 1960.

The rapidly developing local industries since the Expanded Conference of the Central Committee of the Party in June, 1958, must be further encouraged; and, in accordance with the basic policy of strengthening the local industrial system, the leading workers of the local planning organs must make plans which will accurately reflect the progress of our people's economy.

#### Factors in Drawing up Plans for Local Industrial and Producers Cooperatives

In drawing up the plans the local planning organs and local industrial factories and producers cooperatives must faithfully follow the decisions and directives of the Party and Government and the ways and means directed by the State Planning Committee.

For the more effective systematization of work, the following stages must be set. First stage -- evaluation of the expected result of the base year. Second stage -- drawing up a draft of the people's economic plan on the statistical basis and submitting it to the Provincial People's Committee with the approval of the District People's Meeting. With the approval of the Provincial People's Meeting, the Provincial People's Committee will, in turn, submit the draft plan to the State Planning Committee. Third stage -- guaranteeing the successful implementation of the plan approved by the Cabinet and proper inspection and regulation of the work.

The following principles must be observed in implementing the work in each stage.

1. In evaluating the expected result:

Results of quarterly and annual plans must be accurately evaluated. A study of the performance during the last quarter of the preceding year will help determine the production scale and rate for the first quarter of the current year. The evaluation must be done with a careful study of the performances of the enterprises up until the drawing up of the plans and with the expectation that the enterprises will make full use of their latent reserves.

Evaluation must include the following factors.

(1) The average per day production must not fall below the level achieved during the best month of the year.

(2) The possibility for surplus performance in the last two quarters must be carefully studied on the basis of the performance in excess of the planned level and the improved use of facilities, raw materials, fuel and equipment during the first two quarters. For instance, the evaluation is done as follows: (a) Result of first, second, and third quarters plus evaluated expected result of the 4th quarter equals expected result for the year. (b) Result of first, second, and third quarters plus Plan for the 4th quarter equals expected for the year. Basically, (a) method is most commonly used in the evaluation work.

The evaluation of the expected result of the third and fourth quarter is based on the result of August, September and October and, if necessary, a revision must be made in the expected result for the year and the draft of the plan.

2. In drawing up of a draft of the People's Economic Plan:

(1) The District Planning Committee with the Local Industrial Management Division draws up a draft for individual enterprises in compliance with the directives of the State Planning Committee. With the approval of the District People's Meeting or the District People's Committee, the District Planning Committee submits a copy of the draft to the Provincial People's Committee and the District Local Industrial Management Division submits a copy to the Bureau of the Local Industrial Management of the province.

(2) On the basis of the People's Economic Plan submitted by the District, the Provincial Planning Committee and the Bureau of Local Industrial Management draw up their own plans.

With the approval of the Provincial People's Committee or the Provincial People's Meeting, the Provincial Planning Committee submits the People's Economic Plan to the State Planning Committee and the Provincial Bureau of Local Industrial Management submits a copy of the draft, approved by the Provincial People's Meeting or the Provincial People's Committee, to the Department of Light Industry.

(3) With the approval of the Provincial People's Meeting, the Provincial Planning Committee directs the District People's Committee with the People's Economic Plan adopted by the Cabinet. The plans directed are for the district operated factories. With the approval of the District People's Meeting, the District Planning Committee directs each enterprise.

3. In drawing up the Industrial Production Plan:

(1) Consider the demand of the people's economy for the industrial products. The production scale of industrial products is decided according to the demand of the people's economy.

The local planning organs must be well informed of the local economic situation and, with careful analysis of the situation, they must develop food processing, manufacturing of daily necessities and agricultural implements so that the demand of the local residents may be sufficiently met. Methods to be used are: (a) Analysis and study must be made on the basis of statistical data and evaluation of the expected result. (b) Spot checking or close contact with the local residents is desired. The first method is the basic one.

(2) Analyze statistical data.

It is necessary to examine and analyze such data as goods which are still in storage due to low quality; goods which must be replaced by new products; goods which had been produced but could not sufficiently meet the consumers' demand; goods which, due to the inability of the local enterprises to produce, are brought in from other localities to meet the demand of the local residents; the living expenses figured by the statistical organs; shortages of goods, goods which are presently in possession of commercial organs; demand for farm implements; orders for commercial goods; and contract situations. The demand of the local residents for industrial products must be accurately figured.

## PART II

No. 4494 18 Nov 1959

PP2

The people's demand for the means of production, such as ox carts and agricultural implements, is determined by production tasks of consumer industries.

The demand for ox carts is calculated according to the number of oxen in possession of the agricultural cooperatives in the district, the transportation scale of the local ox cart enterprises, and the quantity demanded by enterprises and other organs. The demand for threshing machines is determined by the quantity that is to be threshed; the tobacco trimming machines, by the quantity of green tobacco that is to be trimmed, and the building materials, by the quantity necessary in village constructions.

However, the demand for consumer production is determined by the purchasing power of the residents. For instance, the demand for soy sauce and soybean paste must be determined with the analysis of the composition of the residents. Out of the total population, the number of the persons to whom soy sauce and soybean paste are to be supplied must be figured. In calculation, a basis must be drawn according to laborers, office workers, farmers, and their ages; and, in drawing up a basis, a monthly and annual consumption rate per individual must be figured. This basis is set with the cooperation of commercial organs. Once the basis is set, the total quantity needed may be computed by multiplying the basis with the objects of consumption.

### (3) Employ a spot checking method.

Local industry's principal task is to satisfy the demand of the local residents for industrial products. In calculating the demand, local industrial enterprises, agricultural cooperatives, commercial organizations, and local residents must be extensively included.

An appropriate area may be selected and inspection group may be dispatched there. Through meetings, conversations or house visits, the group must investigate the consumption basis of products according to the different occupations and age, find out whether demand is sufficiently met with goods or what kinds of goods are mostly demanded, and examine characteristics of the area. Local enterprises may sponsor meetings in which vast local organs and local residents are represented and views and experiences are exchanged. By so doing, they can find out which goods are in short supply and reasons for the shortage. Many local residents should be stimulated to take an interest in the activities of the local enterprises.

### (4) Planning the quantity and kinds of industrial products.

The people's economic demand for industrial products is nothing but an initial step in drawing up a production plan.

The quantity of products that can be manufactured to satisfy the demand of the people's economy must be computed. The demand and planning of the production scale are closely tied to each other. The definitely required elements in the production process are production tools, men, raw materials, and facilities.

Therefore, the primary sources of improving production are:  
(1) improvement of existing production capacity and introduction of new innovations; (2) increase of raw materials, fuel, and resources; (3) improvement of production capacity of labor and an increase in the number of laborers.

In drawing up the industrial production plan, a full utilization of inner resources of all enterprises must be carefully considered. By fully utilizing latent resources, expenditures may be minimized. To satisfy the various demands of the local residents, the items of industrial products listed by the State Planning Committee in preparing for the 1960 People's Economic Plan must all be manufactured. If additional items are needed, plans should be subsequently drawn up for them.

In drawing up the 1960 Industrial Production Plan for local industries, the items included must reflect accurate calculation. First of all, production of foodstuffs and other daily necessities, such as textiles, papers, and pottery, must be given priority, and mass manufacturing of agricultural implements should be included. In planning, self-sufficiency must be constantly pursued. Secondly, in determining the production scale for industrial products, greatly demanded foodstuffs and daily necessities, as well as raw materials in the local area, must be considered. Especially, raw materials must be fully utilized to manufacture the characteristic products of the local area. Thirdly, in drawing up the plan, if the local area lacks raw materials for certain products in demand and if the production must depend upon the state for assistance, a study must be made to determine the desired quantity of products and raw materials. Districts must report results of the study to the provinces, and the provinces to the state Planning Committee.

In the People's Economic Plan which the Cabinet approves, the Production task must be set only for the economically important items, and other items may be left to the local planning organs for planning. The finally decided items become finalized in the economic contract and documents of order between the supplier and consumer. If the planned items are not well observed, the Plan will be adversely affected.

Excessive production of easy-to-produce items in violation of the plan quota is harmful and will cause a great loss to the state. The local planning organs must plan to improve items as the demand for improved quality and more items increases.



## Plans to Guarantee Raw Materials for Industrial Products

### 1. Guaranteeing industrial products by local sources of raw materials.

Calculation and Determination of the demand for industrial products is only the first step in drawing up the industrial production plan.

Guaranteeing the practicality of the industrial production plan must be based on the local sources of raw materials. In solving the problem of raw materials for local industries, the policy of our Party is to make an extensive study of natural resources and to fully utilize them. The local area must satisfy the local demand through natural and artificial means.

(1) The local planning organs must study and investigate the sources of raw materials and systematically preserve them in abundance. More than once a year, the local planning organs should mobilize their districts' statistical organs, students, teachers, commercial and forestry workers, agricultural cooperative members, and other workers, to investigate sources of raw materials. In so doing, the local organs must make an accurate table in which names of the sources, potential reserves, and their uses are clearly indicated.

(2) Through the justifiable utilization of the sources of raw materials, the local planning organs must provide raw materials for the items proposed in the production plan. Also, the local planning organs must make plans for the utilization of waste or unused raw materials flowing out of the state operated enterprises located in the area.

If the investigated sources can provide more than the necessary raw materials, the districts must so inform the provinces and the provinces, the State Planning Committee. At the same time, the provinces must propose to the Department of Light Industry and Institute of Science the manner in which the excess raw materials are to be used.

(3) At the recent Expanded Meeting of the Executive Committee of the Central Committee of the Party, Premier Kim Il Sung directed that City and District People's Committee chairman must set aside 100-200 chongbo [one chongbo equals 99.174 acres] for raw materials for fiber and grease. It was intended that each locality must solve its own raw material problem.

Therefore, the local planning organs must make plans in such a way that the base (reserve) is well utilized and that the locality can meet its own demand. In creating the reserve for raw materials, the importance of expanding fiber production must be greatly stressed.

### PART III

No. 4495, 19 Nov 1959.

P 2

To keep pace with the rapid progress in the local paper manufacturing industry, ways to provide raw materials must be further exploited. Such fast growing trees as poplar, aspen and accacia can provide a pulp reserve. These trees are suitable to the local weather and soil and they can also serve in conserving mountains and rivers.

The local planning organs must see to it that the agricultural cooperatives expand the reserve for various vegetables and crops in order to produce abundant oil for the table and supplementary diet. Besides, individual homes should be encouraged to raise such oil-yielding plants as sunflowers, castor-oil plants, etc., and to raise rabbits, ducks, chickens, and hogs.

Also, any space available along railroad tracks, banks, dams, mountain slopes, roads, and beaches should be utilized as industrial raw material bases (reserves) where various plants such as poplar, aronia, paulownia, peppermint, rush, and lilac may be grown. Establishment of a self-sufficient industrial system in the local area means that the locality not only satisfies the demands of the local residents for foodstuffs, daily necessities, building materials, and agricultural implements, but also lays material and technical foundations for the local industries.

The local planning organs must exploit all possibilities to enable the locality to supply itself with pig iron, steel, lead, cement, and coal. This means that the locality must organize by itself to dig a mine for coal even on a small scale, to expand sources for building materials, etc. At the same time, the locality must develop the chemical industry to supply itself with paints, dyestuffs, antiseptic materials, spices, and caustic soda.

The task to investigate and utilize local raw material sources and to create a healthy reserve for raw materials is a great task in exploiting nature. To carry out this task successfully, a carefully planned scheme and the organized effort of everyone are necessary. In this respect, we have had good experiences.

The Veterans' Factory of Kangwon Province has cultivated space along dams and railroad tracks and planted peppermint for 20 thousand Pyong [one pyong equals 6 square feet] and rush for 50 thousand Pyong. They are steadily expanding their production with a well-planned scheme. The Haiju Stationary Production Cooperative has been transporting and selling rush, poplar, and shells, and through their contract with the local residents, they produce and supply various stationery to the local residents.

2. Guaranteeing the industrial production plan by production capacity and basic construction.

The industrial production plan must be based on production capacity. In drawing up of the industrial production plan, an accurate calculation must be made of the rate of increase of the production capacity, based on the existing production capacity and the production of the new enterprises which will operate during the plan period.

The production capacity of enterprises is expressed by the production quantity shown by items that can be produced at the maximum level for each time unit (year, day, hour). This production capacity takes into consideration certain technical conditions and the technical level, and due consideration of transportation conditions of raw materials and equipment and the experiences of the innovators.

That is, (1) production quantity per hour or year does not mean a theoretical measure. It means the maximum production quantity actually possible. (2) certain technical conditions and the technical level must be accurately reflected in the calculation of capacity. A condition that should be included is the delivery condition of raw materials and equipment.

Differences will be found in the production capacity according to the different degrees of adaptation of experiences of the production innovators. In this case, the production capacity must be determined with the consideration of the levels achieved by the production innovators.

The production capacity changes as the conditions change. Therefore, calculation of production capacity at one time cannot be applied at all times.

The production capacity is calculated only in primary facilities of the enterprises, not in the secondary facilities.

However, in the local industries, primary facilities are very often affected by the lack of capacity of the secondary facilities. This must be prevented by careful investigation of the local planning organs when drawing up the plan.

In calculating the production capacity, a method may be illustrated as follows:

If the production items are to include 3000 bowls, 500 saucers and 100 plates, the capacity is calculated on the total bowls as the basis, and the saucers and plates are calculated on the basis of the exchange rate for each bowl.

A few points to be considered in calculating the production capacity are:

(1) the existing capacity of facilities must be utilized to the maximum. Especially, machines must be grouped in three's and run in three shifts.

(2) as the basis of the technical and economic indexes for the capacity of facilities, the average successive promotion level must be applied. The average successive promotion level is higher than the total average result achieved and lower than the highest level of the most advanced enterprise; it lies in between. The reason is that each enterprise is not yet able to perform at the most advanced and highest level.

The calculation of the output level can be illustrated as follows: assuming that the average monthly performance of a weaving machine at a textile factory in 1958 was 6 meters and that the highest monthly performance was 10 meters, the level that must be applied in 1959 plan is to be  $(6^M + 10^M)$  divided 2 equals  $8^M$ .

The capacity shortage realized even after the full utilization of the existing production capacity must be considered in the new basic construction plan.

The basic construction plan guarantees an expanded socialist production, improves capital goods and consumer goods production, and raises the material and cultural standard of the people. The scale and direction of basic construction are decided by the political and economic tasks of the Party and Government in regard to the local industries.

A few points to be considered in drawing up of the basic construction plan are:

(1) Priority must be given considerations which bring about a more successful result in implementing the political and economic tasks, and the maximum concentration of funds in individual objects. Particularly, depending upon the local raw material sources, the possibility of improving the capacity of production facilities with a small investment must be calculated. The full utilization of the existing production area and facilities must be guaranteed.

(2) To guarantee the maximum economic effect of the investment, the construction period must be reasonable and the cost of unfinished construction must be reduced.

(3) In performing basic construction work, conditions of material and technical guarantees (drawing up of the construction plan, supply of construction material, providing labor power, and financing) must be carefully examined.

(4) The important basic factors are: the standardization and scientific nature of the construction plan, mechanization of construction work, wide introduction of methods, shortening of the construction period, anticipation of a drop in the construction value, and improvement of construction quality by improving the construction structure.

The basic construction plan must be based on the above principles. The economic foundation of the separate construction objects for the planned year must be examined on the basis of accurate evaluation of the expected basic construction results. This evaluation is to determine the possibility as to the completion of the construction during the base year.

The provision for the basic construction investment must be based on the construction plan budget. Particularly, the local planning organs should widely use the standard construction plan.

#### PART IV

No. 4496, 20 November 1959

P 2

To guarantee the success of the basic construction plan, a few things must be done.

(1) By anticipating the use of local construction materials by local industries for construction, the plan must take into consideration the fact that the locality should solve its own demands for local building materials.

(2) With an accurate calculation of the quantity of materials necessary for basic construction, the locality must include in its plan those materials that are to be produced and provided by itself. A request is to be submitted to the Province for what must be supplied by the province or state. The province is to request the State Planning Committee for what must be supplied by the state.

(3) The plan for basic construction must be drawn up with an accurate calculation of the locality's own construction capacity and the local construction cooperatives' capacity.

In implementing such basic construction as factories and houses, the local building materials and labor must be provided through mass movements.

In drawing up the 1960 Basic Construction Plan, the renovation plan must not be neglected. For the normal guarantee of production, it is important to keep the newly constructed local industrial enterprises in neat condition and to make timely renovation of the existing facilities and buildings.

Neglect of the renovation plan by only concentrating in new basic constructions must be avoided. In drawing up the renovation plan, the conditions of existing facilities, structures, and buildings must be carefully investigated. After selecting the objects to be renovated, funds, materials, and labor required for the renovation must be computed. The renovation of the fixed assets is not included in the basic construction investment. The renovation plan for fixed assets is drawn up according to the current price.

Guaranteeing the Industrial Production Plan by Labor Power

The industrial production plan must be founded not only on the basis of facilities, materials, and basic constructions but also on the basis of labor power. The labor plan includes the plan for appropriate disposition and use of labor power and the plan to systematically improve the material and cultural life of the laborers and employees.

An important point in labor planning is accurately to estimate results.

The computation of the expected result of labor productive capacity is made by dividing the expected result for the total production amount by the expected result for the total number of employees and laborers. (Particularly the expected result for the total production amount must be accurately evaluated.

Assuming that the plan drawing time is September, the expected result of employees is computed by adding the expected result that will be achieved after September to the actual result achieved until August. In computing the expected result after September, the number of employees that will be possibly employed after September should be accurately figured on the basis of the actual number of employees as of the end of August.

Even if the employment of more labor power is expected for the purpose of guaranteeing the production plan after September, the added employment cannot materialize unless there is a source of labor power for certain needed jobs. Even if there is a source of labor power, the employment of an expected number of persons is impossible unless the labor power is guaranteed and provided upon demand.

Even if the employment is possible on the basis of available labor, a great part of the labor power will be wasted unless working conditions are guaranteed.

With the expected results for the total industrial production amount and for the employees after September, the production amount per employee and the production amount per laborer are to be computed. This computation should be compared with the actual result achieved until August and with the actual result of the same period of the preceding year.

Computation of the average wage for the expected work should be well coordinated with the expected result of labor productivity. That is, if there is an improvement in labor productivity after September in comparison with the actual result achieved by August, the average wage will be raised, too.

However, the average wage is not necessarily improved as the labor productivity improves. The reason is that all the causes of greater labor productivity do not necessarily accompany the average wage increase at the same rate.

A few points must be considered by the local planning organs in drawing up the labor plan.

(1) Labor power for local industries is to consist of the labor power of local families supported by office workers and laborers. Without fail, all the labor power of idle families must be recruited by the local industries to increase production.

(2) Ways to improve labor productivity should be well calculated to guarantee the industrial production plan by improving the technical standard, the conditions of facilities, and the labor production capacity.

In improving labor productivity, the experiences of advanced countries should be generalized, new advanced methods should be introduced, and their effects must be carefully calculated.

The local planning organs must accurately figure the production amount per employee of the different industrial fields and enterprises. Also, workers for important products must be figured by product unit.

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For instance, if each oxcart requires five workers for its manufacture, then in manufacturing 1000 ox carts during the base year, a total of 5000 workers is necessary. If four workers is required for each unit during the planned year (on the basis of well-figured technical and economic conditions), only 4000 workers are needed and this is 1000 less than the preceding year. This shows the possibility of manufacturing 250 more ox carts with the extra 1000 workers.

A few things that should be avoided by the local planning organs in drawing up the labor power plan are:

(1) An attempt to increase the labor power by slightly altering specifications.

(2) An attempt to improve the quality of manufactured goods by unreasonably increasing the labor power.

(3) An attempt to increase production not by new advanced methods but by old obsolete work methods.

(4) An attempt to calculate labor power without due consideration of the improvement of the technical level of laborers and plant and work conditions.

(5) A tendency to increase labor power along unproductive lines.

In improving labor productivity there are important factors that will enhance the material and technical foundation of local industries and that will shift the production process to mechanization.

In drawing up the 1960 Peoples' Economic Plan, the local planning organs must play a strong role in revamping their industrial management system, improving their work in drawing up the plan, and exploiting and utilizing their reserves for the firm establishment of the local industrial system.

All these are to be in accordance with the decision of the recently Expanded Meeting of the Executive Committee of the Party's Central Committee and the Republic's Cabinet to revamp the existing industrial management system and to firmly establish a central and local industrial system.